

## Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

Name:	<input type="text" value="Daniela Salvioni, Luisa Bosetti"/>
Email:	<input type="text" value="bosetti@eco.unibs.it"/>
Stakeholder group:	<input type="text" value="Academic"/>

If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text" value="-"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="Western Europe"/>

## Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

<IR> is openly intended as a process that should result in a report primarily prepared for the providers of financial capital (i.e. equity and debt holders, including all the creditors, and fund managers). This approach is clearly in line with the shareholder view and a market-oriented perspective and it consequently privileges the information needs of a well-identified category of stakeholders.

However, the Framework proposes a concise and, most of all, comprehensive approach to corporate communication, which promotes the connection among information on such many topics that the resulting report seems to be adequate to satisfy the knowledge needs of all other stakeholders too.

## Chapter 1: Overview

### ***Principles-based requirements***

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

Stakeholder engagement: is that included in “Stakeholder responsiveness” Guiding Principle (3C)? If so, it should be better specified. If not, stakeholder engagement may be added as a Guiding Principle or as a premise of stakeholder responsiveness, given that the organisation should regularly consult its stakeholders on the ability of the integrated report it has actually published and divulged to satisfy their information needs.

### ***Interaction with other reports and communications***

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. *Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?*

We partially agree with the suggested approach.

The conciseness of a stand-alone integrated report is certainly important and useful for users who want to obtain a comprehensive overview of the organisation. In the meantime, the connectivity of information helps collect more detailed and constructed information from distinct documents or the organisation’s website, in order to complete the knowledge of specific users on topics they are particularly interested in.

However, this kind of integrated report risks increasing the complexity of an organisation’s communication, because it does not replace any other mandatory or voluntary report. Furthermore, the quantity and variety of information requested for issuing an integrated report will probably originate a significant increase of costs for the organisation.

3. *If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?*

International references we may suggest include the following:

- Global Reporting Initiative;
- AccountAbility 1000;
- LBG (London Benchmarking Group) Model.

There also exist well-known national references, which are often adopted in combination with the international standards. In relation to the Italian context, where we operate, we may suggest the following reporting standards:

- GBS (Gruppo di studio per il Bilancio Sociale)
- ABI (Associazione Bancaria Italiana), specifically for banks;
- Social Statement (CSR-SC Project);
- Q-Res.

## **Other**

4. *Please provide any other comments you have about Chapter 1.*

-

## **Chapter 2: Fundamental concepts**

### ***The capitals (Section 2B)***

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. *Do you agree with this approach to the capitals? Why/why not?*

Yes, we agree with this approach, which appears to be innovative. However, we think that applying such a capital-based model could be difficult in many organisations, particularly SMEs, which are accustomed to classify their resources into only tangible and intangible assets, without introducing further categories. Even if the capital categorisation is not a strict requirement of the Framework, it has a significant role and we consider it as the real innovation and distinguishing element of the <IR>, so the lack of one or more categories of capital would make the integrated report rather useless. Moreover, many organisations tend to overlook the management of intangible resources and the interdependencies among them; hence, they would probably determine a lot of KPIs based on a financial perspective, but they would publish prevalently narrative explanations on intellectual, human, social and relationship, and natural capitals and their transformations. Summarising, the risk of unbalancing between quantitative information on financial (and manufactured) capital and qualitative information on all the other ones is high.

6. *Please provide any other comments you have about Section 2B?*

-

### ***Business model (Section 2C)***

A business model is defined as an organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).

7. *Do you agree with this definition? Why/why not?*

Yes, we do. This definition is concise, but also exhaustive.

### ***Business model (Section 2C) continued***

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs (paragraphs 2.35-2.36).

8. *Do you agree with this definition? Why/why not?*

Yes, we generally agree with this definition of "outcome". However, we usually adopt this word when we want to emphasise a long-term perspective for internal and external consequences. In the Framework, this time-based meaning is not considered.

9. *Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (see Section 4E)?*

A business model resilience (4E) is not defined in the Framework. The resilience of a business model means its ability to quickly return to a previous good condition: hence, the Framework should suggest that the integrated report describes the events that have produced a deterioration, and the mechanisms introduced by the organisation to assure its own resistance during a crisis.

### ***Other***

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

-

## **Chapter 3: Guiding Principles**

### ***Materiality and conciseness (Section 3D)***

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

11. *Do you agree with this approach to materiality? If not, how would you change it?*

If the Framework has definitively chosen the providers of financial capital as the primary intended report users, the proposed definition of "materiality" is the solely possible one.

*12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).*

As concerns conciseness (3D), this appears as a too generic and abstract requirement, and sometimes also contradictory. The variety and quantity of information that should be included in the report makes very difficult to respect the principle of conciseness. The risk of redundancy and duplication of information is high, particularly in case of organisations with multiple business models: due to the basic unity of governance and management also in such organisations, there probably exist common elements, which are shared by the different business models. In this case it could be difficult not to duplicate information.

As concerns the materiality determination process (5B), we appreciate the efforts to make clear to the organisation's stakeholders the way by which matters have been prioritised through an assessment of magnitude and likelihood of occurrence. However, this process remains partially subjective, particularly when it is based on qualitative factors.

**Reliability and completeness (Section 3E)**

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

*13. How should the reliability of an integrated report be demonstrated?*

External, independent assurance seems to be the best mechanism for demonstrating the reliability of an integrated report, as recommended by the Framework. In our view, the assurance provider could also involve representatives of the organisation's stakeholders in the assurance procedure, in order to gather their opinions on the increase, decrease and transformation of capitals as described (and measured) by the organisation: the existence of evidence of such variations from a stakeholder's point of view can prove the reliability of the report.

*14. Please provide any other comments you have about Section 3E.*

The independent assurance final report should be attached to the integrated report, or at least made available on the website of the organisation that has issued the integrated report.

**Other**

*15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.*

-

## Chapter 4: Content Elements

16. *Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).*

Among the others, the “Content Elements” chapter consists of a section on “Governance” (4B). The Framework suggests that an integrated report provides insight about remuneration policies: however, large companies all over the world are expected to divulge such information in their corporate governance report, financial report or sustainability report. Hence, the actual innovation of the Framework should probably be the request of explanation about the linkage among remunerations and incentives and their linkage with capitals in the short, medium and long term. Based on our experience in corporate communication, we think that very few organisation would divulge such details in the absence of mandatory provisions: as a matter of fact, even listed companies tend only to mention their remuneration and incentive criteria, which are often generically summarised as performance-based.

## Chapter 5: Preparation and presentation

### ***Involvement of those charged with governance (Section 5D)***

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. *Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?*

Yes, there should be. Indeed, all the well-structured reports issued by an organisation should contain a statement that identifies the individuals or bodies responsible for the integrity of both the contents and the procedure. Nowadays this approach is typical of all the frameworks and guidelines on external disclosure, regardless of the topics addressed.

18. *Please provide any other comments you have about involvement of those charged with governance (Section 5D).*

-

## **Credibility (Section 5E)**

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

*19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?*

Assurance should cover the integrated report as a whole. This approach is already used by assurance providers who certify sustainability reports. Anyway, if the complexity of an integrated report requires a variety of knowledge and skills for the assurance process, this could be managed by a mixed team comprising financial auditors and experts in social, intellectual capital and environmental reporting.

*20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.*

A brief description of internal control systems adopted by the organisation to guarantee information reliability should be included in an integrated report. Alternatively, a link to a wider description contained in other reports or in the organisation's website should be provided.

As concerns the criteria for an effective assurance engagement, the ones already defined by the international setters can be a good reference (for example, ISA for the audit of financial information, and ISAE 3000 and AA1000 Assurance Standard for the audit of social, environmental and sustainability reporting).

## **Other**

*21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).*

-

## Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

The model proposed in the Framework is really innovative. However, there is a risk that organisations meet high difficulties in preparing an integrated report by means of a principle-based approach. A more detailed format could be more appropriate and effective.

## Development of <IR>

23. *If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?*

A list of at least the basic KPIs can be very useful both to help organisations write their own integrated report and to provide a minimum extent of space and time comparability among the reports.

## Other

24. *Please provide any other comments not already addressed by your responses to Questions 1-23.*

-

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)